FOUR WAYS TO DEAL WITH A VOLATILE STOCK MARKET

The economic and financial news lately has been frightening.

It's tempting to sell all your investments and hide the money under your mattress until this bumpy ride is over. But what's tempting isn't always what's best, especially in the long term.

Here are four suggestions for how to handle your investments in the face of this dizzying financial storm:

Don't **Panic**

The worst thing you can do is panic and start selling all your stocks and stock funds. If you sell now you will turn paper losses into real losses and won't be invested to recoup those losses when the market rebounds. History has shown that over the long haul the stock market goes up, not down. In fact, the periods after a crisis are often very robust.*

*Past performance is no guarantee of future returns.

Do **Keep contributing to your retirement plan**

Investing a little at a time is a strategy known as "dollar-cost averaging." It doesn't shield what you already have invested, but it does let you take advantage of the fact that stocks become cheaper as the market declines. Because the amount you invest remains constant, you are able to buy more shares of a stock or mutual fund when the price is low and fewer shares as the price rises. If you're participating in a workplace retirement plan, then you're already utilizing this smart strategy.

Don't **Try to time the market**

When you try to time the market, you're usually selling when prices are falling and buying as they rise—a sure way to lose money. What's more, if you leave the market when it's in decline you may not reinvest in time to benefit from the eventual rebound. Studies have shown that missing the best days of a recovery can substantially reduce long-term gains. Remember that even professionals don't know when the market is going to go up or down.

Do **Review your asset allocation strategy**

Be sure your investment mix is appropriate for your age and the number of years you have until you retire. It's hard to appreciate the bargain of sticking with stocks when prices are falling. Our natural inclination is to shy away or get out altogether. But this can be a big mistake. Remember that you need stocks for growth before and after you retire. So if your asset allocation strategy is right for you, stick with it.

10.09.08